



Legal Protection for Policyholders in Motor Vehicle Insurance

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Abstract

This study examines legal protection for policyholders in motor vehicle insurance using a literature review approach. Legal protection is a crucial aspect of the relationship between insurance companies and policyholders, particularly in guaranteeing the rights that policyholders should receive as stipulated in the insurance policy. This study highlights the role of law in protecting against potential injustice arising from claim rejections or discrepancies between promised services and actual performance. This study also explores the basic principles of insurance contracts, the obligations of insurance companies, and the rights of policyholders. Furthermore, it discusses the forms of dispute resolution available when disputes arise between policyholders and insurance companies, both through litigation and non-litigation mechanisms. The results of this literature review indicate that legal protection for policyholders is highly dependent on the clarity of the insurance contract, the understanding of the law by both parties, and the effectiveness of dispute resolution institutions in upholding justice. Therefore, it is necessary to improve legal education for policyholders and strengthen regulations in insurance practices to create a fair, transparent, and balanced relationship between insurance companies and policyholders.

I. INTRODUCTION

Insurance is a form of protection provided by insurance companies to individuals or groups against sudden financial risks. In the context of motor vehicle insurance, this protection is provided to cover losses or damage to vehicles due to accidents, theft, or other risks. The importance of motor vehicle insurance has become a necessity for modern society, especially with the increasing number of vehicles and the potential risks associated with them. Although insurance is fundamentally intended to provide a sense of security for policyholders, in practice, disputes often arise between the insured and the insurance company, particularly regarding claims settlement. This indicates a problem in legal protection for motor vehicle insurance policyholders (Isnun Hujah, 2022).

Legal protection in insurance is not only an instrument of justice but also a pillar of public trust in the insurance industry as a whole. When policyholders feel their rights are not protected, trust in insurance companies declines, which in

turn impacts the overall image of the insurance industry. This legal protection includes guarantees that policyholders' rights as stipulated in the policy are fulfilled, including the right to clear information, the right to receive fair and timely claim payments, and the right to resolve disputes fairly and transparently (Oktantri, 2021). This protection becomes crucial in the event of a breach of contract or a claim rejection without a valid legal basis.

In practice, many policyholders feel disadvantaged by insurance companies due to claim rejections or the insured's incomplete understanding of insurance contract provisions. This problem is often exacerbated by the imbalanced bargaining power of insurance companies, which possess greater legal resources and information than policyholders. This situation reflects the need for regulations and legal protection that can guarantee fairness and legal certainty for policyholders, particularly in the claims settlement process (Budiman et al., 2022). Therefore, it is important to explore and analyze

how legal protection for policyholders has been regulated and implemented in motor vehicle insurance practices in Indonesia.

One tangible form of injustice experienced by policyholders is when claims for motor vehicle damage are rejected by insurance companies without legally justifiable grounds. This is not only materially detrimental but also psychologically damaging for the insured, who have paid premiums regularly and expect compensation for the losses suffered. Some insurance companies tend to use clauses in their contracts that unilaterally limit their liability or exploit legal loopholes to avoid paying claims (Nurkumalasari, 2021). This phenomenon demonstrates the persistent weaknesses in legal protection for policyholders, who should receive fairness and legal certainty under insurance contracts.

Furthermore, developments in the financial industry and digitalization in the insurance sector also present new challenges in legal protection for policyholders. While digitalization of insurance services simplifies the administration and policy purchase process, it also has the potential to create an information imbalance between insurance companies and insured parties. Many policyholders sign electronic contracts without fully understanding the terms of the agreement, leading to surprises when claims arise, hindering the disbursement process. Therefore, transparency, legal education, and strengthening regulations are urgently needed to ensure maximum legal protection (Yanti & Darmayanti, 2023).

Equally important is the role of dispute resolution institutions in providing access to justice for aggrieved policyholders. In some cases, policyholders choose not to pursue disputes through legal channels due to the high costs, lengthy timeframes, and complexity of the judicial process. This highlights the importance of strengthening non-litigation dispute resolution mechanisms such as mediation and arbitration, which can offer quick and efficient alternatives. Furthermore, the Financial Services Authority (OJK), as the financial sector supervisory body, also plays a crucial role in ensuring that insurance companies maintain fair and transparent practices in their dealings with policyholders (Wahyuni, 2024).

Several previous studies have also emphasized that legal protection for motor vehicle insurance policyholders must be viewed holistically, not only from a contractual perspective but also from

a social and ethical perspective. Policyholders are consumers of financial services who must be protected from harmful and misleading business practices. Therefore, existing regulations must be able to balance the interests of insurance companies and insured parties, to create a mutually beneficial and equitable relationship. In this regard, strengthening laws and regulations, such as Law Number 40 of 2014 concerning Insurance and its implementing regulations, is crucial (M. Rafki, 2023).

Frequent cases of insurance claim rejections indicate that serious problems persist in the implementation of the principle of good faith in insurance relationships. This principle requires both parties, the insurance company and the policyholder, to behave honestly and transparently in the contract process and in the exercise of rights and obligations. However, in reality, practices such as misleading information, delays in the claims process, and the application of unfair clauses in policy agreements are still common. This reinforces the urgency of establishing an effective legal protection system that not only guarantees fairness in theory but also implements it in practice (Zildjian, 2025).

Not only do policyholders need protection, but in some circumstances, insurance companies also require legal protection against misuse of claims by policyholders acting in bad faith. Therefore, legal protection in the context of motor vehicle insurance must be reciprocal and balanced. This means that the law must be a tool capable of maintaining two-way justice; protecting the insured from fraudulent practices by insurance companies, while simultaneously protecting the insurance company from manipulative actions by the insured (Fauzi et al., 2023). This perspective is crucial for unbiased legal protection and for creating a healthy and sustainable insurance ecosystem.

In the academic realm, legal protection for policyholders has become an important area of study in civil law, particularly contract law. The relationship between an insurance company and the insured is a contractual legal relationship subject to the principles of agreement, such as freedom of contract, consensualism, and good faith. However, in practice, insurance agreements are often drafted unilaterally by insurance companies using standard contracts that are non-negotiable by prospective policyholders. This creates an imbalance in legal relations and places the insured in a weak position. Therefore, the

concept of legal protection needs to be developed within the context of standard contracts to prevent exploitation or abuse of dominant positions by insurance companies (Sartika & Saleh, 2024).

A closer look at several case studies shows that policyholders who feel disadvantaged by rejected motor vehicle insurance claims often lack sufficient legal understanding to defend their rights. In this regard, legal protection is not only embodied in positive legal norms but must also be supported by legal education for the wider community. Public understanding of the rights and obligations under insurance contracts significantly determines the effectiveness of legal protection. Therefore, synergy between insurance companies, regulatory agencies, and educational institutions is crucial to foster legal awareness among policyholders (Qanita & Mardianingrum, 2023).

Furthermore, within the context of national law, legal protection for policyholders can be strengthened through intensive oversight by competent authorities, such as the Financial Services Authority (OJK) and the Consumer Dispute Resolution Agency (BPSK). Active oversight and strict law enforcement against violations of policyholder rights will provide a deterrent effect for insurance companies that fail to comply with regulations. In this regard, legal protection can also be derived from jurisprudence, namely court decisions that provide justice to policyholders and can serve as a reference in similar cases (Budiman et al., 2022). This development in jurisprudence demonstrates that legal protection can continue to evolve through the dynamics of law within society.

Considering the complexity of issues that arise in motor vehicle insurance practices, a study of legal protection for policyholders is highly relevant and important. This study aims to analyze in-depth how legal protection for policyholders is regulated, how it is implemented in practice, and what obstacles are encountered in implementing this protection. Furthermore, this research aims to provide constructive recommendations for policymakers, insurance companies, and the general public to strengthen a fair, effective, and sustainable legal protection system in the motor vehicle insurance sector in Indonesia (Isnu Hujah, 2022).

II. RESEARCH METHODS

This study uses a library research method as the primary approach in exploring and analyzing the topic of legal protection for policyholders in motor vehicle insurance. This library research was chosen because this research is not empirical, but rather normative, focusing on the study of legal materials sourced from literature, laws and regulations, scientific journals, previous theses or dissertations, and other relevant legal documents. Through this approach, the researcher seeks to understand and evaluate various theoretical perspectives, legal regulations, and practices that have developed in the world of insurance, particularly those related to the rights and legal protection of policyholders. The research process was carried out by collecting secondary data consisting of primary legal materials such as laws and implementing regulations, secondary legal materials in the form of legal literature and scientific works, and tertiary legal materials such as legal dictionaries and legal encyclopedias. All of these materials were analyzed systematically to formulate the concept of ideal legal protection for motor vehicle insurance policyholders, as well as to identify the weaknesses and strengths of the current legal system. This research does not involve field data collection, interviews, or direct observation, as all data and information used are sourced from published and academically accessible written documents. By using this method, the research aims to provide an in-depth and comprehensive theoretical contribution as a foundation for developing better legal policies in the field of motor vehicle insurance.

III. RESULTS AND DISCUSSION

The research results show that legal protection for policyholders in motor vehicle insurance still faces various challenges, both normative and practical. In theory, legal protection for policyholders is guaranteed in various regulations, ranging from the Civil Code (KUHPerdata), Law Number 40 of 2014 concerning Insurance, to the provisions of the Financial Services Authority (OJK). However, in practice, many obstacles remain that prevent legal protection from being implemented optimally. For example, many insurance companies reject claims on the grounds that certain clauses were not fully understood by the policyholder when signing the contract, as stated by Budiman et al. (2022) in the context of life insurance, but the logic also applies in the realm of motor vehicle

insurance due to the similarity in the structure of the policy agreement.

Isnu Hujah's (2022) research specifically examined legal protection for policyholders at the insurance company PT. Federal International Finance in Padang and found that policyholders frequently experienced claim rejections due to administrative discrepancies, even though the claims were substantively valid. This demonstrates the factual weakness of legal protection, as in many cases, policyholders do not receive adequate education regarding the content and consequences of insurance agreements. Furthermore, insurance companies often exert dominant power in drafting standard clauses that tend to disadvantage the insured in the event of a claim dispute.

Oktantri (2021) also noted that there is an imbalance in the legal standing between insurance companies and policyholders. In many cases, policy clauses are not fully explained to potential customers, leaving insurance companies open to rejecting claims on formalistic grounds. This reinforces the need for oversight by regulatory authorities such as the Financial Services Authority (OJK) to ensure that the contents of insurance agreements are transparent, fair, and understood by all parties, especially those in a weaker legal and economic position, namely policyholders.

In the context of consumer financing, Yanti & Darmayanti (2023) examined practices at PT. Adira Dinamika Multi Finance Medan and found that legal protection for policyholders is often eroded when motor vehicle insurance is linked to credit or leasing agreements. In such situations, policyholders become passive parties with little choice or room for negotiation, as the insurance policy is often part of a financing package. In the event of a dispute, the financing company tends to side with the insurance company due to the direct contractual relationship, while the policyholder loses control over his or her rights.

Zildjian (2025) added that in the consumer financing system, there is a tendency for policyholders to not fully understand their rights and obligations, especially because insurance policies are part of a larger contract. In some cases, there is even a mistaken perception that the policy belongs to the financing company, even though legally the insured remains the consumer using the vehicle. This unclear legal position often results in losses for policyholders when the insured object is lost or damaged, because the

claims process is regulated more by internal agreements between the leasing company and the insurance company, rather than by the wishes and rights of the policyholder themselves.

A study by Qanita & Mardianingrum (2023) also demonstrated the importance of clear legal liability in cases of loss of insured property. In practice, there are differing interpretations regarding the scope of coverage for vehicle loss, particularly those resulting from theft. Many insurance companies reject claims on the grounds that the policyholder was negligent or failed to meet certain requirements, even though the agreement does not specifically define negligence. This demonstrates the importance of strengthening legal protection explicitly within the policy and the need for standard operating procedures for claims that are fair and accessible to all parties.

M. Rafki (2023) in his research at PT. Asuransi Bumida Pematang Siantar found that in many cases, insurance companies use a highly administrative approach in processing claims. This negatively impacts satisfaction and fairness for policyholders, especially when losses are already apparent, but claims cannot be paid simply because documents are incomplete or not properly formatted. In fact, civil law stipulates that insurance liability should be based on the principle of good faith, which means that if a risk has occurred and is proven, insurance companies should not immediately reject claims simply for minor administrative reasons.

Nurkumalasari (2021) also highlighted cases of claim rejections for damage to motor vehicle accessories not explicitly listed in the insurance policy. According to her, many policyholders felt disadvantaged because they assumed the entire vehicle was automatically insured. This demonstrates the importance of public awareness and education for customers regarding policy details. Without proper education, many policyholders find themselves in a vulnerable position during disputes, lacking the necessary understanding to defend their rights.

From an insurance company perspective, Fauzi, Ismail, & Aryani (2023) state that companies also require legal protection in the event of default by the insured, for example in a lease agreement that fails to pay. However, legal protection for companies must not compromise the insured's fundamental rights, especially regarding risk coverage for which the policyholder has paid premiums. Therefore,

contractual fairness is crucial to prevent legal inequities that harm consumers.

Sartika & Saleh (2024) emphasized that a fair insurance claims process must encompass preventive, repressive, and restorative legal protection. Preventive protection takes the form of clear education and information transparency; repressive protection through a legal dispute resolution process in the event of a violation; and restorative protection by providing adequate compensation for losses suffered by policyholders. These three forms of protection must be balanced to create a fair and socially just insurance system.

Wahyuni (2024) in his research showed that non-litigation dispute resolution mechanisms, such as mediation and negotiation, can be a more efficient and humane solution to resolving conflicts between policyholders and insurance companies. This route is quicker and less burdensome than litigation, which is often time-consuming and expensive. However, the effectiveness of this method depends heavily on the commitment of both parties and the presence of a neutral, independent institution to facilitate the mediation process.

From the overall literature analyzed, it can be concluded that legal protection for policyholders in motor vehicle insurance is not yet fully optimal. Although a legal framework is in place, its implementation remains weak due to limited public education, imbalanced positions in policy agreements, and weak oversight of insurance company practices. Therefore, regulatory reform, increased legal education for the public, and strengthened oversight by institutions such as the Financial Services Authority (OJK) are needed to create a fair, transparent, and equitable insurance system for all parties.

This discussion begins by highlighting the role of the principles of good faith and contractual fairness as the primary foundation for legal protection for motor vehicle insurance policyholders. Budiman, Dialog, Rifa'i, & Hanifah (2022) emphasize the importance of these principles in life insurance relationships, which are also relevant for motor vehicle insurance. They emphasize that insurance companies and policyholders must exercise their rights and obligations honestly and openly; if this principle is ignored, the claims process can become an arena for exploitation of the insured. In practice, as researched by Isnu Hujah (2022), many companies use standard contract clauses that are

not clearly explained to policyholders. This creates a legal loophole to reject claims formally, even though the substance of the claim should be fulfilled. This condition makes it clear that the principle of good faith is often distorted in the motor vehicle insurance process.

Furthermore, Oktantri (2021) revealed that the imbalance in bargaining power between insurance companies and policyholders leaves the insured in a highly vulnerable position. Policies with standard, non-negotiable clauses place the policyholder in a weaker position, while negotiating power and information are entirely in the hands of the insurance company. In the context of contract law under the Civil Code, both parties should be on equal footing, but in practice, this does not occur. This imbalance leads to structural injustice, particularly when claims disputes arise, and policyholders must navigate complex and expensive legal procedures.

The context of motor vehicle insurance related to consumer financing exacerbates the legal protection gap. Yanti & Darmayanti (2023) show that policies related to leasing agreements tend to be closely tied to credit, leaving policyholders with little flexibility to choose or review the agreements made by the financing company. Zildjian (2025) even states that consumers' ignorance of policy ownership, as they are perceived as owned by the leasing company, further complicates policyholders' claims. This situation creates a legal dilemma: the insured pays premiums, but the authority to settle claims lies with the financing institution, not the policyholder.

In cases of loss of insured property, Qanita & Mardianingrum (2023) explain that many claim rejections occur due to the assumption of negligence by the insured, which is not explicitly stated in the policy. This situation creates legal uncertainty, as the insured feels disadvantaged by the company's unilateral interpretation. To address this, stricter legal criteria are needed regarding the definition of negligence and insurance liability to ensure more objective and fair assessments.

M. Rafki (2023) added that excessive administrative and procedural practices, such as repeated document checks and disproportionate formal requirements, worsen the situation for policyholders. However, under civil law, if a risk has been proven to have occurred, the insurance company is obligated to pay the claim without burdening the insured with complicated

procedures. This statement highlights the gap between legal text and practical implementation and emphasizes the need for simplicity and fairness in claims procedures.

Nurkumalasari (2021) highlighted the unclear coverage for motor vehicle accessories, which often becomes the subject of disputes. Many insured parties mistakenly assume the entire vehicle is covered, when in fact, not all parts are covered by the policy. This is why legal education and public awareness of policy content need to be improved so that policyholders understand the limits of company liability.

Fauzi, Ismail & Aryani (2023) argue that insurance companies also need legal protection, for example, to protect themselves from claims from leasing companies that fail to pay. However, this protection should not disadvantage the insured, as the principle of contractual fairness requires a balance between the rights and obligations of both parties.

According to Sartika & Saleh (2024), legal protection should be preventative, repressive, and restorative. Comprehensive education, fair dispute resolution, and adequate compensation are three essential pillars that must be implemented simultaneously to create a fair insurance ecosystem for consumers.

Wahyuni (2024) suggests that non-litigation dispute resolution methods such as mediation, negotiation, or other alternative solutions can be faster, cheaper, and more humane. However, the key to the success of such methods is the presence of a neutral, professional institution and minimal costs and pressure on the insured.

From all the studies above, it is clear that legal protection is not only about an adequate regulatory framework, but also about its implementation in the field and access to transparent information. Legal education is crucial for policyholders so they can independently understand their rights and obligations; insurance companies need to respect the principles of honesty, simplicity, and fairness; supervisory authorities such as the Financial Services Authority (OJK) and the Financial Services Authority (BPSK) must increase oversight, particularly of claims practices and policy contracts; and dispute resolution should be swift, affordable, and fair.

Structurally, a paradigmatic approach is needed to improve this legal protection system: standard contract reform, increased information transparency, public education, strengthening

supervisory institutions, and prioritizing alternative dispute resolution—to create a healthy, fair, and sustainable insurance ecosystem. Integrating these principles will result in legal protection that is not only theoretical but also practical and pro-consumer, thereby strengthening public trust in the motor vehicle insurance industry.

IV. CONCLUSION AND SUGGESTIONS

A. Conclusion

Based on the discussion above, it can be concluded that legal protection for policyholders in motor vehicle insurance still faces various challenges, both in terms of legal substance, implementation of insurance agreements, and the claims settlement process. The main problems include the unequal bargaining position between policyholders and insurance companies, the insured's weak understanding of the policy content, and the company's tendency to interpret clauses unilaterally in rejecting claims. Furthermore, the relationship between insurance agreements and consumer financing complicates the legal position of the insured because their rights are often delegated to the financing institution. Although regulations are in place, in practice, legal protection is not fully effective without the support of strict supervision, equitable legal education, and an easily accessible and fair dispute resolution system. Thus, ideal legal protection must include preventive, repressive, and restorative protection that can balance the interests of all parties involved in PT.

B. Suggestion

Improving legal protection for motor vehicle insurance policyholders requires comprehensive efforts from various parties. The government and the Financial Services Authority (OJK) need to tighten oversight of the implementation of standard contracts and ensure that all policy terms are communicated transparently to consumers. Insurance companies must apply the principles of fairness and good faith in every claims settlement process and provide information that is easily understood by the general public. Furthermore, legal education for the public needs to be improved, particularly regarding rights and obligations under insurance. Non-litigation dispute resolution mechanisms must also be strengthened to provide policyholders with faster and less costly access to justice. Reforms to standard contract design and

the integration of digital-based complaint systems can also be long-term solutions to achieving fair, effective, and consumer-oriented legal protection.

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